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STATE OF MONTANA

WATER WELL CONTRACTORS EXAMINING BOARD

REPORT ON EXAMINATION

Fiscal Year Ended June 30, 1969

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TABLE OF CONTENTS

		Page
Appointive and Administrative Officials		ii
Summary of Recommendations		iii
Scope of Examination and Opinion		1
Comments:		
General		3
Accounting System		4
Cash Procedures		5
Employee Attendance Records		5
Unrecorded Travel Expenditure		6
Conclusion		7
	Exhibit	
Financial Statements:		
Balance Sheet, June 30, 1969	A	8
Statement of Changes in Fund Balance, Fiscal Year Ended June 30, 1969	B	9
Statement of Revenue, Fiscal Year Ended June 30, 1969	C	10
Statement of Expenditures and Encumbrances Compared with Appropriations, Fiscal Year Ended June 30, 1969	D	11
Statement of Changes in General Fixed Assets, Fiscal Year Ended June 30, 1969	E	12

APPOINTIVE AND ADMINISTRATIVE OFFICIALS

WATER WELL CONTRACTORS EXAMINING BOARD

Board Members

C. W. Brinck, Chairman	Helena	Permanent
Douglas Smith	Helena	Permanent
Wesley Lindsay	Clancy	1970
Ernest Bond	Butte	Permanent

Administrative Officials

C. W. Brinck, Director, Division of Environmental Sanitation, State Board of Health

Mary L. Date, Secretary

SUMMARY OF RECOMMENDATIONS

	Page
Confer with the state controller and establish a general ledger posted on a monthly basis utilizing the double entry system and prepare yearend financial statements.	4
Record cash when received and deposit intact on a regularly scheduled basis.	5
Maintain and retain formal employee attendance records.	6
The state controller prescribe directives for yearend reconciliations.	6

MORRIS L. BRUSETT, C.P.A.
LEGISLATIVE AUDITOR

G. DEAN REED, C.P.A.
DEPUTY LEGISLATIVE AUDITOR

STATE OF MONTANA
Office of the Legislative Auditor
STATE CAPITOL
HELENA, MONTANA 59601

The Legislative Audit Committee
of the Montana State Legislature:

We have examined the balance sheet of the Montana Water Well Contractors Examining Board as of June 30, 1969, and the related statements of operations, as set forth in the table of contents in this report, for the year then ended. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The financial statements have been prepared on the cash basis of accounting and do not show financial position or operating results as do statements prepared on the modified accrual basis in accordance with generally accepted accounting principles applicable to governmental units.

The board does not maintain a general ledger nor does it utilize the double entry system of accounting. Financial statements are prepared directly from the state controller's reports and the board's detail records.

In our opinion, subject to the exceptions described in the preceding paragraphs, the accompanying financial statements present fairly the financial position of the Water Well Contractors Examining Board as of June 30, 1969, and the results of its operations for the year then ended, in conformity with

generally accepted governmental accounting principles applied on a basis consistent with that of the preceding year.

We submit the financial statements listed in the preceding table of contents together with the following comments.

COMMENTS

GENERAL

The Water Well Contractors Examining Board was created by Montana Statutes of 1961, Chapter 176. This act, as subsequently amended and currently codified in Title 66, Chapter 26, R.C.M. 1947, provides for a four-member board to regulate water well contractors operating in Montana. The board consists of the director of the State Water Resources Board, the director of the division of environmental sanitation of the State Board of Health, a member from the water well drilling industry appointed by the governor for a term of 3 years, and, in a non-voting capacity, a technical adviser hydrogeologist, appointed by the director of the Montana bureau of mines and geology. Board members receive compensation of $20 per day in addition to necessary expenses, unless already employed by the State of Montana.

The purpose of the board is to reduce and minimize the waste of ground water resources within Montana by reasonable regulation and licensing of drillers or makers of water wells and to provide a means for the development of the natural resource of underground water in an orderly, sanitary and reasonable manner, by establishing and maintaining standards for drilling and constructing water wells.

The board's records indicate there are approximately 145 licensed water well contractors operating in Montana. Examinations for a water well contractor's license are given on an individual basis at any time during normal business hours.

During the year ended June 30, 1969, the board employed one part-time inspector. The board shares office space and secretarial services of the Board of Plumbing Examiners in Helena for which it pays $150 per month.

The Water Well Contractors Examining Board is self-supporting. Application fees, license renewal fees, and other revenues of the board are deposited into the board's account in the earmarked revenue fund from which expenditures are made based upon legislative appropriations.

ACCOUNTING SYSTEM

The board does not maintain a general ledger, utilize the double entry system of accounting, or prepare yearend financial statements.

A general ledger should be maintained and posted on a monthly basis to properly show changes and balances of the board's assets and account balance and the accumulated revenues and expenditures for the year. The general ledger should be posted monthly from books of original entry (cash receipts register, claims register, etc.).

The double entry system should be utilized to keep the accounts in balance, show the dual effect upon each financial transaction, and provide the basis for preparation of accurate and complete financial statements and reconciliations.

Each state agency is required by law (Section 59-701, R.C.M. 1947) to submit annual financial statements to the state controller. Financial statements are basic to show the results of each agency's operations and its financial position at yearend. The state controller is presently in the process of establishing the bases for the content, format, and instructions for preparation of the financial statements to be prepared by state agencies in the future.

RECOMMENDATION

We recommend that the board confer with the state controller and that a general ledger be established and posted on a monthly basis utilizing the double entry system and that yearend financial statements be prepared.

CASH PROCEDURES

It has been the practice of the board to hold checks received until a substantial amount accumulates or at least two weeks pass before depositing the receipts with the state treasurer. Cash is not recorded in a chronological record at the time of its receipt. Generally accepted internal control standards provide that cash receipts should be recorded as soon as practicable and receipts should be deposited intact as promptly as possible on a regularly scheduled basis. The purpose of these control standards is to provide accurate accountability for the cash receipts and insure that they are properly deposited. We believe the need for these procedures is particularly important in an agency as small as the board in which it is difficult to establish adequate internal controls.

RECOMMENDATION

We recommend that the board record cash when it is received and that it be deposited intact on a regularly scheduled basis.

EMPLOYEE ATTENDANCE RECORDS

The board has only one employee, a part-time inspector, who works directly for the board. Maintenance of board records and secretarial service is provided by the office manager of the Board of Plumbing Examiners and administrative direction is provided by the director of the division of environmental sanitation of the State Board of Health. Only informal records of the inspector's time worked are prepared and these records are not retained by the board. The maintenance of formal time records is basic as a support for payment of employees' salaries. Such records serve as official acknowledgment that the personal services were provided and establish a basis for evaluation of the services.

RECOMMENDATION

We recommend that the board require maintenance of formal employee attendance records and that these records be retained by the board.

UNRECORDED TRAVEL EXPENDITURE

As shown by Exhibit D, the board's records indicate that the board expended $4,172, including $1,141 for travel, during 1968-69. Both of these amounts are understated by $312 which represents one of the board's travel claims processed near the end of the fiscal year but which was incorrectly paid from the Board of Plumbing Examiners' appropriation. The claim was correctly recorded on the Water Well Contractors Examining Board's records at the time of its submission for payment. However, the claim document was incorrectly coded as a plumbing board expenditure and the State Department of Administration processed and recorded it as such. Upon discovery of the error at yearend, the records of both the boards were adjusted to agree with the Department of Administration's records. This resulted in three agencies' records being incorrect instead of one.

The manner in which the records were adjusted might be likened to a bank error where a check of one depositor is incorrectly charged to that of another and, upon receipt of their bank statements, the two depositors adjust their checkbooks to agree with the bank's records rather than treating the error as a reconciling item until the bank makes the correction.

RECOMMENDATION

We recommend that the state controller prescribe directives to state agencies for yearend reconciliations to insure more accurate financial records and reports.

CONCLUSION

We have reviewed the comments and recommendations contained in this report with the board's administrative director and secretary. We wish to express our appreciation to them for their cooperation and assistance.

Respectfully submitted,

Morris L. Brusett

Morris L. Brusett
Legislative Auditor

September 24, 1969

EXHIBIT A

WATER WELL CONTRACTORS EXAMINING BOARD
ALL FUNDS
BALANCE SHEET
June 30, 1969

	Earmarked Revenue Fund	General Fixed Assets
Assets		
Cash in State Treasury	$ 7,096	$ -0-
Investments (at Par) U.S. Treasury Bonds 4%	8,000	-0-
Equipment	-0-	58
Total Assets	$15,096	$ 58
Reserves and Fund Balance		
Reserve for Investment in General Fixed Assets	$ -0-	$ 58
Fund Balance - Exhibit B	15,096	-0-
Total Reserves and Fund Balance	$15,096	$ 58

EXHIBIT B

WATER WELL CONTRACTORS EXAMINING BOARD
EARMARKED REVENUE FUND
STATEMENT OF CHANGES IN FUND BALANCE
Fiscal Year Ended June 30, 1969

Fund Balance, July 1, 1968	$ 14,460
Additions:	
Revenue - Exhibit C	4,808
Total Balance and Additions	19,268
Deductions:	
Expenditures - Exhibit D	4,172
Fund Balance, June 30, 1969	$ 15,096

EXHIBIT C

WATER WELL CONTRACTORS EXAMINING BOARD
EARMARKED REVENUE FUND
STATEMENT OF REVENUE
Fiscal Year Ended June 30, 1969

Fees:		
Application Fees		$ 800
License Renewals:		
1968-69 License Year	$ 1,100	
1969-70 License Year	2,575	3,675
Duplicate License Cards		13
Total Fees		4,488
Interest Earnings on Investments		320
Total Revenue		$ 4,808

EXHIBIT D

WATER WELL CONTRACTORS EXAMINING BOARD
EARMARKED REVENUE FUND
STATEMENT OF EXPENDITURES AND ENCUMBRANCES COMPARED WITH APPROPRIATIONS
Fiscal Year Ended June 30, 1969

Carryover Balance from 1967-68	$ 1
1968-69 Appropriation	5,048
Total Available	5,049
Expenditures	4,172
Balance Reverted	$ 877

ANALYSIS OF EXPENDITURES

Personal Services:		
Salary - Inspector	$ 960	
Employee Benefits	55	
Board Member Compensation Fees	60	
Total Personal Services		$ 1,075
Operation:		
Services Provided by Board of Plumbing Examiners - Office Space, Equipment, and Office Staff Services	1,800	
Office Supplies	132	
Travel Expense	1,141	
Duplicating and Data Processing Services	24	
Total Operation		3,097
Total Expenditures		$ 4,172

EXHIBIT E

WATER WELL CONTRACTORS EXAMINING BOARD
STATEMENT OF CHANGES IN GENERAL FIXED ASSETS
Fiscal Year Ended June 30, 1969

Equipment - Balance, July 1, 1968	$ 58
No Changes	--
Equipment - Balance, June 30, 1969	$ 58